

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF determining
Whether there has been a violation of the
Securities Act of Washington by:

LYNDA ANN GILBERTSON,

Respondent.

SDO - 42 - 00

STATEMENT OF CHARGES AND NOTICE
OF INTENTION REVOKE SECURITIES
SALESPERSON REGISTRATION

Case No. 99-01-009

THE STATE OF WASHINGTON TO: LYNDA ANN GILBERTSON
810 West 26th
Kennewick, WA 99337

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondent, Lynda Ann Gilbertson, has engaged in dishonest and unethical practices in the securities business while employed as a registered securities salesperson for Salomon Smith Barney, Inc., and that those practices and violations justify the suspension and/or revocation of Respondent's securities salesperson's registration pursuant to RCW 21.20.110(1)(g). The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondent

1. Lynda Ann Gilbertson ("Gilbertson") is registered with the State of Washington as a securities salesperson and was affiliated with the Salomon Smith Barney, Inc. ("SALOMON") office located at 1350 Grandridge Blvd, Kennewick, WA 99336, from July 31, 1993 until her resignation effective October 1, 1998.

2. On or about August 31 through September 3, 1998 the Washington State Securities Division conducted a routine examination of SALOMON's Kennewick branch. During the examination customer complaints involving

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Olympia, WA 98507-9033
360-902-8760

1 unauthorized trading and evidence of excessive trading activity by Gilbertson were uncovered and the matter was
2 referred to enforcement for further investigation.

4 **NATURE OF GILBERTSON'S CONDUCT**

5 Gilbertson Engaged in Unauthorized Trading

6 3. On or about April 23, 1998, Customer "A" lodged a written complaint with SALOMON, against
7 Gilbertson for making multiple trades without first consulting the customer. SALOMON settled the complaint with
8 Customer "A" for \$7,000.

9 4. On or about August of 1998 Customer "B" complained to SALOMON about Gilbertson making an
10 unauthorized purchase of 300 shares of NOKIA. SALOMON settled the complaint of Customer "B" by moving the
11 trade to the error account.

12 Gilbertson Failed to Execute Written Discretionary Agreements

13 5. When Customer "A" and "B" were questioned regarding the apparent unauthorized transactions in
14 their accounts they each responded that they had not given Gilbertson discretion, either orally or in writing.
15 Gilbertson failed to obtain written discretionary agreements for any of these customers.

16 Gilbertson Engaged in Excessive Trading

17 6. During 1997 Gilbertson's management of the account earned Customer "C" \$12.29 and cost
18 Customer "C" \$13,900 in margin and maintenance charges. During that same time period Gilbertson earned over
19 \$14,000 in commission from Customer "C's" account. From January through September of 1998, Gilbertson turned
20 over the assets of Customer "C's" account 5.51 times. By the end of September, 1998 Customer "C" had losses in
21 excess of \$45,700 and had incurred maintenance and margin fees of over \$13,900. In contrast to Customer "C's"
22 1998 account losses, Gilbertson earned over \$44,000 in commission from Customer "C's" account.

23 7. Gilbertson also pursued active trading of mutual funds for Customer C, purchasing 28 various
24 funds, from April 1997 through September 1998. Four of the mutual funds purchased were held for less than one

1 month prior to Gilbertson selling them. Gilbertson also purchased fifteen other mutual funds, for Customer "C",
2 which were held for less than nine months.

3 8. Gilbertson purchased over \$860,000 in securities transactions, including options, over a 17 month
4 period for Customer "D's" account, turning over the assets 14.93 times from January through September 1998. By
5 the end of September 1998 Customer "D" earned the client just over \$14,000, in his account, while Gilbertson
6 earned over \$22,500 in commissions.

7
8 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

9
10 **CONCLUSIONS OF LAW**

11 9. Gilbertson, as described above, engaged in one or more dishonest or unethical practices in the securities
12 business, as defined by WAC 460-22B-090(6), by inducing trades in customer accounts that were excessive in size and
13 frequency in view of the financial resources and character of the accounts. Such practice is grounds for the suspension or
14 revocation of her salesperson registration pursuant to RCW 21.20.110(1)(g).

15 10. Gilbertson, as described above, engaged in one or more dishonest or unethical practices in the securities
16 business, as defined by WAC 460-22B-090(8), by executing transactions on behalf of customers without authorization
17 to do so. Such practice is grounds for the suspension or revocation of her salesperson registration pursuant to RCW
18 21.20.110(1)(g).

19 11. Gilbertson, as described above, engaged in one or more dishonest or unethical practices in the securities
20 business, as defined by WAC 460-22B-090(9), by exercising discretionary power in effecting transactions for customer
21 accounts without first obtaining written discretionary authority from the customer. Such practice is grounds for the
22 suspension or revocation of her salesperson registration pursuant to RCW 21.20.110(1)(g).

23 12. Gilbertson, as described above, engaged in one or more dishonest or unethical practices in the securities
24 business, as defined by WAC 460-22B-090(6), by inducing trades in customer accounts that were excessive in size and

1 frequency in view of the financial resources and character of the accounts. Such practice is grounds for the suspension or
2 revocation of her salesperson registration pursuant to RCW 21.20.110(1)(g).

3
4 **NOTICE OF INTENTION TO REVOKE SECURITIES SALESPERSON REGISTRATION**

5 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends
6 to order that the securities salesperson registration of Lynda Ann Gilbertson, be revoked.

7
8 **AUTHORITY AND PROCEDURE**

9 This STATEMENT OF CHARGES AND NOTICE OF INTENTION TO REVOKE SECURITIES
10 SALESPERSON REGISTRATION is entered pursuant to the provisions of RCW 21.20.110 and is subject to the
11 provisions of RCW 21.20.120, and is subject to the provisions of ch. 34.05 RCW. The respondent, Lynda Ann
12 Gilbertson may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND
13 AND OPPORTUNITY FOR HEARING accompanying this order. If Ms. Gilbertson does not request a hearing in this
14 matter, the Securities Administrator will, based on the foregoing Findings of Fact and Conclusions of Law, enter an
15 order revoking Ms. Gilbertson's securities salesperson registration and denying any future registration.

16 DATED this _____ day of April, 2000.

17 _____
18 DEBORAH R. BORTNER
19 Securities Administrator

20 Presented by:

21 _____
22 Kristina L. Kneip
23 Securities Examiner

24 Approved by:

25 _____
26 Michael E. Stevenson
27 Chief of Compliance
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